



THE ASSISTANT SECRETARY THE NAVY
(FINANCIAL MANAGEMENT AND COMPTROLLER)
1000 NAVY PENTAGON
WASHINGTON, DC 20350-1000

MAY 22 2002

MEMORANDUM FOR CHIEF OF NAVAL OPERATIONS
COMMANDANT OF THE MARINE CORPS
ASSISTANT SECRETARY OF THE NAVY (I&E)
ASSISTANT SECRETARY OF THE NAVY (M&RA)
ASSISTANT SECRETARY OF THE NAVY (RD&A)
DON CHIEF INFORMATION OFFICER (DONCIO)

Subj: INCORPORATING PERFORMANCE METRICS INTO FISCAL YEAR
(FY) 2004 - 2009 PROGRAM AND BUDGET PROCESS

Encl: (1) USD (Comptroller) Memo of May 7, 2002, same subject
(2) Listing of Proposed DoN Metrics

In support of the President's Management Agenda, the Office of Management and Budget (OMB) issued standards for success in each of five Presidential Management Initiatives. One of these initiatives is Budget and Performance Integration -- requiring the use of performance metrics in managing and justifying program resources. As part of this government-wide initiative, DoD is required to integrate performance metrics into the budget process, linking resource levels with measurable program outputs and outcomes. For the FY 2004 OSD/OMB Program and Budget Review, OMB has requested that the federal government expand its use of performance metrics.

Each DoD component has been requested to identify candidates for performance measures that can be linked to program funding levels and integrated into the combined program/budget process as contained in enclosure (1). The DoN must establish performance metrics that correctly reflect management and funding priorities. These metrics should be the same as, or consistent with existing metrics, including defense agency performance plans, Government Performance and Results Act (GRPA), Quality of Life related initiatives and Defense Planning Guidance. Enclosure (2) is a listing of proposed DoN metrics candidates and designated lead offices that are either identified as part of Government Performance and Results Act or in the budget justification materials supporting the FY 2003 budget submission. The lead office for each proposed metric is requested to respond in the format of attachment 2 of enclosure (1). It is recognized that for many performance elements interest will extend beyond the designated lead offices. In those instances, please coordinate input with the designated lead. For example, it is expected that specific input for Navy and Marine Corps measures will be in order for Secretariat-lead items, through the designated office. Recommended metrics beyond

those proposed in enclosure (2) are encouraged. For optimal effect, metrics proposed by the DoN should be those most meaningful to each of you in monitoring and assessing performance in each of your functional areas of responsibility.

Please ensure that performance metrics candidates identified in enclosure (2) and any new metrics need to be identified by using the suggested format and submitted to the Office of Budget (FMB) by May 30, 2002. Once USD(C) completes their review and selects the final metrics to be included in justification material supporting the FY 2004 Program and Budget Review submission, additional guidance will be provided. Any questions should be addressed to Captain Kip Nicely, (703) 695-5816.



DIONEL M. AVILES

Copy to:
Under Secretary of the Navy
Office of Program Appraisal (OPA)



COMPTROLLER

UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100
MAY 7 2002



MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
DIRECTOR, OPERATIONAL TEST AND EVALUATION
COMMANDER IN CHIEF, U.S. SPECIAL OPERATIONS
COMMAND
COMMANDER IN CHIEF, U.S. TRANSPORTATION COMMAND
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTORS OF THE DEFENSE AGENCIES

SUBJECT: Incorporating Performance Metrics into the Fiscal Year (FY) 2004-2009 Program and Budget Process

The purpose of this memorandum is to provide guidance to the Department of Defense (DoD) Components on incorporating performance metrics into the program and budget process, to obtain Component points of contact (POCs) for metrics development, and to task Components with identifying performance metric candidates.

In August 2001, the President launched a Management Reform Agenda to "address the most apparent deficiencies [in the Federal government] where the opportunity to improve performance is the greatest." In support of the President's Management Agenda, the Office of Management and Budget (OMB) issued standards for success in each of five Presidential Management Initiatives. One of these initiatives is Budget and Performance Integration -- requiring the use of performance metrics in managing and justifying program resources. As part of this government-wide initiative, DoD is required to integrate performance metrics into the budget process, linking resource levels with measurable program outputs and outcomes. The OMB instructed DoD to begin the Budget and Performance Integration process with the FY 2003 budget justification by including performance metrics for four selected programs: (a) Family Housing; (b) Environmental Restoration; (c) Chemical Demilitarization; and (d) Energy Conservation. The metrics exhibits produced for the FY 2003 budget justification for each of these programs are at Attachment 1.

For the FY 2004 OSD/OMB Program and Budget Review submission, the OMB has requested the federal government to expand its use of performance metrics. As a first step in this process, DoD Components are requested to identify candidates for performance measures that can be linked to program funding levels and integrated into the combined program/budget process. Each DoD Component is requested to identify key budget performance metrics

candidates to the USD(Comptroller). These metrics should be the same as, or consistent with, existing metrics, including (but not limited to) defense agency performance plans, Government Performance and Results Act (GPRA) and Quality of Life -- related initiatives. They should also be consistent with other metrics referred to or requested in the Defense Planning Guidance. A suggested format is provided at Attachment 2, but Components are free to adapt this format to the nature of the specific metrics candidates. Additional guidance from OMB on development of performance metrics is summarized in Attachment 3. Following receipt of the metrics candidates, the OUSD(Comptroller) will lead a review of the metrics candidates and select the final metrics to be included in the justification material supporting the FY 2004 Program and Budget Review submission. To eliminate duplicative effort, OUSD(Comptroller) also will review other metrics-based initiatives ongoing in OSD to determine the extent to which those metrics can meet this new requirement. As a result of the OUSD(Comptroller) review, some additional cross-Component metrics requirements may be identified and certain candidates proposed by the Components may be modified.

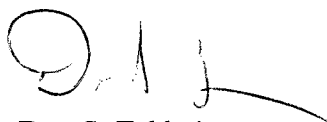
At a minimum, each Component's metrics candidates should include (where appropriate):

- The four programs included in the FY 2003 President's Budget justifications: Family Housing, Environmental Restoration, Energy Conservation, and Chemical Demilitarization;
- At least two meaningful metrics for each of the Presidential Executive Scorecard initiatives: Competitive Sourcing, Strategic Management of Human Capital, Financial Management Improvement, and Expanding Electronic Government;
- At least one metric for the following DoD-specific initiatives identified by OMB (for affected Components): Improved Coordination of the Veterans Administration and DoD Programs and Systems; Improved TRICARE Contracting (which should also be included in the DHP FY 2004 Performance Plan); and Cost, Activity, and Performance Based Budgeting System for Foreign Military Sales;
- At least two metrics for each of the Department's high priority strategic goals of reducing operational risk; reducing force management risks; responding to future challenges (transformation); and reducing institutional risks (i.e., manage DoD in a more business-like manner). These metrics may be the same as those used in GPRA reporting.
- Other meaningful metrics that support the budgeted program. For the Operation and Maintenance appropriation, the Components should develop performance metrics that show how inputs like trained personnel using simulators and/or mission capable equipment on training ranges yield proficient operators. For OPTEMPO, metrics should include, but are not limited to, flying hours (per aircrew/per month), ship steaming days per quarter, battalion field training days. For non-OPTEMPO programs like the Defense Health Program, metrics

should be the same as those used in their FY 2004 performance plan include Military Treatment Facilities utilization rates and Joint Commission standard scores matched against comparable private sector medical facilities. The DoD Dependents Education Activity should include the metrics they submit as their FY 2004 performance plan, e.g., how DoD Schools compare nationally on standardized test scores, class sizes, and costs per student.

- Metrics will also need to be established for six interagency areas: environment, housing, health, education, disaster response, and food aid. More specifics on these metrics will be forwarded once OMB and the President's Management Council specify how these programs are to be evaluated

In addition to submitting a list of metrics candidates, each DoD Component should identify a POC who will be responsible for the budget and performance integration initiative. Request that each Component identify both their performance metrics candidates and POCs to Rachel Hiller via telephone: (703) 697-9171, ext. 121 or email: Hillerr@osd.pentagon.mil by June 1, 2002.



Dov S. Zakheim

Attachments:
As stated

DoD Energy Program Performance Indicators

Consumption at DoD Standard Buildings/Facilities

	FY 2001 (Actual Performance) Site-Delivered Btu (Billion)	FY 2002 (Estimated Performance) Site-Delivered (Btu) (Billion)	FY 2003 (Projected Performance) Site-Delivered Btu (Billion)
Electricity	85,449	78,643	77,208
Fuel Oil	33,351	30,476	29,913
Natural Gas	69,338	71,447	70,083
LPG/Propane	1,489	1,490	1,461
Coal	12,238	9,067	8,892
Purch. Steam	7,951	9,752	9,560
Other	1,712	863	845
Total	211,528	201,737	197,963
Thous. Gross Square Feet	2,013,907	1,995,501	1,984,912
Btu/GSF:	105,034	101,096	99,734
% reduction from 1985 baseline	23.0%	25.9%	26.9%

Executive Order 13123 Reduction Goal

% reduction from 1985 baseline	24.0%	25.5%	27.0%
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Funding Summary (\$ in millions)	64.7	47.4	59.8
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The actual EO 13123 Goal is to reduce consumption by 35 percent by 2010. DoD is on track toward meeting that goal. Military installations spend more than \$2.4 billion annually to procure energy commodities. DoD's energy conservation strategy uses a balanced approach of appropriated funding and private-sector investments to install energy savings measures in facilities to reduce consumption and energy costs. Cost savings pay for installing energy efficient equipment. Since 1985, the energy consumed per square foot in DoD's buildings decreased by 23 percent and we expect to meet current the Federal facility energy consumption goal.

ENVIRONMENTAL RESTORATION PROGRAM
FY 2003 PRESIDENT'S BUDGET
FUNDING BY PRIORITIES
Defense Logistics Agency
(\$ in THOUSANDS)

	<u>FY 2001</u> <u>Actual</u>	<u>FY 2002</u> <u>Estimate</u>	<u>FY 2003</u> <u>Estimate</u>	<u>FY02-FY01</u> <u>CHANGE</u>	<u>FY03-FY02</u> <u>CHANGE</u>
I. INSTALLATION RESTORATION PROGRAM (IRP)					
A. Program Management and Support	816	1,640	1,565	824	(75)
B. Hazardous and Petroleum Waste Products					
Priority 1A. High Relative Risk with Agreements	2,090	2,499	3,527	409	1,028
Priority 1B. High Relative Risk without Agreements	0	0	0	0	0
Priority 2A. Medium Relative Risk with Agreements	516	2,149	1,930	1,633	(219)
Priority 2B. Medium Relative Risk without Agreements	0	120	120	120	0
Priority 3A. Low Relative Risk with Agreements	751	993	2,310	242	1,317
Priority 3B. Low Relative Risk without Agreements	930	814	2,285	(116)	1,471
Priority 4A. Not Evaluated with Agreements	3,791	1,547	0	(2,244)	(1,547)
Priority 4B. Not Evaluated without Agreements	41	1,635	475	1,594	(1,160)
Remedial Action Operations	5,708	5,165	4,633	(543)	(532)
Long-Term Monitoring	206	859	1,093	653	234
Potentially Responsible Party	1,229	1,391	1,007	162	(384)
CEHNC Obligations	1,200	0	0	(1,200)	0
Subtotal Hazardous and Petroleum Waste Products	16,462	17,172	17,380	710	208
Subtotal Installation Restoration Program (A+B)	17,278	18,812	18,945	1,534	133
II. Unexploded Ordnance (UXO Cleanup)					
Priority 1. Imminent Threats to Human Safety					
Priority 2. Possible Threats to Human Safety					
Priority 3. Marginal Threats to Human Safety					
Priority 4. Remote Threats to Human Safety					
Not Evaluated					
Subtotal UXO	0	0	0	0	0
III. BUILDING DEMOLITION/DEBRIS REMOVAL PROGRAM					
A. Imminent Threats to Human Safety, Health, or to the Environment					
B. Other					
Subtotal Building Demolition/Debris Removal	0	0	0	0	0
TOTAL PROGRAM	17,278	18,812	18,945	1,534	133
IV. DOD CLEANUP PERFORMANCE GOALS (METRICS)					
A. Component cleanup Performance Goals by FY					
% of sites cleaned up - High	40.0%	50.0%	60.0%	10.0%	10.0%
% of sites cleaned up - Medium	30.0%	37.0%	44.0%	7.0%	7.0%
% of sites cleaned up - Low	22.0%	28.0%	34.0%	6.0%	6.0%
Number of sites cleaned up - High	20	25	29	5	4
Number of sites cleaned up - Medium	6	7	9	1	2
Number of sites cleaned up - Low	17	21	26	4	5
B. Component Current/Projected Status					
% of sites cleaned up - High	81.6%	89.8%	91.8%	8.2%	2.0%
% of sites cleaned up - Medium	50.0%	60.0%	75.0%	10.0%	15.0%
% of sites cleaned up - Low	40.0%	44.0%	61.3%	4.0%	17.3%

Number of sites cleaned up - High	40	44	45	4	1
Number of sites cleaned up - Medium	10	12	15	2	3
Number of sites cleaned up - Low	30	33	46	3	13

ENVIRONMENTAL RESTORATION PROGRAM

FY 2003 PRESIDENT'S BUDGET

FUNDING BY PRIORITIES

Defense Threat Reduction Agency

(\$ in THOUSANDS)

	<u>FY 2001</u> <u>Estimate</u>	<u>FY 2002</u> <u>Estimate</u>	<u>FY 2003</u> <u>Estimate</u>	<u>FY02-FY01</u> <u>CHANGE</u>	<u>FY03-FY02</u> <u>CHANGE</u>
I. INSTALLATION RESTORATION PROGRAM (IRP)					
A. Program Management and Support	0	0	0	0	0
B. Hazardous and Petroleum Waste Products					
Priority 1A. High Relative Risk with Agreements					
Priority 1B. High Relative Risk without Agreements					
Priority 2A. Medium Relative Risk with Agreements					
Priority 2B. Medium Relative Risk without Agreements					
Priority 3A. Low Relative Risk with Agreements					
Priority 3B. Low Relative Risk without Agreements	1,454	1,607	1,553	153	(54)
Priority 4A. Not Evaluated with Agreements					
Priority 4B. Not Evaluated without Agreements					
Remedial Action Operations					
Long-Term Monitoring					
Potentially Responsible Party					
CEHNC Obligations					
Subtotal Hazardous and Petroleum Waste Products	1,454	1,607	1,553	153	(54)
Subtotal Installation Restoration Program (A+B)	1,454	1,607	1,553	153	(54)
II. Unexploded Ordnance (UXO Cleanup)					
Priority 1. Imminent Threats to Human Safety					
Priority 2. Possible Threats to Human Safety					
Priority 3. Marginal Threats to Human Safety					
Priority 4. Remote Threats to Human Safety					
Not Evaluated					
Subtotal UXO	0	0	0	0	0
III. BUILDING DEMOLITION/DEBRIS REMOVAL PROGRAM					
A. Imminent Threats to Human Safety, Health, or to the Environment					
B. Other					
Subtotal Building Demolition/Debris Removal	0	0	0	0	0
TOTAL PROGRAM	1,454	1,607	1,553	153	(54)
IV. DOD CLEANUP PERFORMANCE GOALS (METRICS)					
A. Component cleanup Performance Goals by FY					
% of sites cleaned up - High					
% of sites cleaned up - Medium					
% of sites cleaned up - Low					
Number of sites cleaned up - High					
Number of sites cleaned up - Low					
B. Component Current/Projected Status					

DTRA has only one site (low relative risk) remaining in the program which is expected to be complete in the next several years- well before the DoD Cleanup goal of FY 2014 for low relative risk sites.

% of sites cleaned up - High
 % of sites cleaned up - Medium
 % of sites cleaned up - Low
 Number of sites cleaned up - High
 Number of sites cleaned up - Medium
 Number of sites cleaned up - Low

**ENVIRONMENTAL RESTORATION PROGRAM
 FY 2003 PRESIDENT'S BUDGET
 FUNDING BY PRIORITIES
 DUSD(I&E)
 (\$ in THOUSANDS)**

	<u>FY 2001</u> <u>Estimate</u>	<u>FY 2002</u> <u>Estimate</u>	<u>FY 2003</u> <u>Estimate</u>	<u>FY02-FY01</u> <u>CHANGE</u>	<u>FY03-FY02</u> <u>CHANGE</u>
I. INSTALLATION RESTORATION PROGRAM (IRP)					
A. Program Management and Support	2,633	2,910	3,000	277	90
B. Hazardous and Petroleum Waste Products					
Priority 1A. High Relative Risk with Agreements					
Priority 1B. High Relative Risk without Agreements					
Priority 2A. Medium Relative Risk with Agreements					
Priority 2B. Medium Relative Risk without Agreements					
Priority 3A. Low Relative Risk with Agreements					
Priority 3B. Low Relative Risk without Agreements					
Priority 4A. Not Evaluated with Agreements					
Priority 4B. Not Evaluated without Agreements					
Remedial Action Operations					
Long-Term Monitoring					
Potentially Responsible Party					
CEHNC Obligations					
Subtotal Hazardous and Petroleum Waste Products					
Subtotal Installation Restoration Program (A+B)	2,633	2,910	3,000	277	90
II. Unexploded Ordnance (UXO Cleanup)					
Priority 1. Imminent Threats to Human Safety					
Priority 2. Possible Threats to Human Safety					
Priority 3. Marginal Threats to Human Safety					
Priority 4. Remote Threats to Human Safety					
Not Evaluated					
Subtotal UXO	0	0	0	0	0
III. BUILDING DEMOLITION/DEBRIS REMOVAL PROGRAM					
A. Imminent Threats to Human Safety, Health, or to the Environment					
B. Other					
Subtotal Building Demolition/Debris Removal	0	0	0	0	0
TOTAL PROGRAM	2,633	2,910	3,000	277	90
IV. DOD CLEANUP PERFORMANCE GOALS (METRICS)					
A. Component cleanup Performance Goals by FY					
% of sites cleaned up - High					
% of sites cleaned up - Medium					
% of sites cleaned up - Low					
Number of sites cleaned up - High					

Environmental Restoration activities performed by ODUSD(I&E) are defined as program management activities, and are not tracked

Number of sites cleaned up - Medium
 Number of sites cleaned up - Low
 B. Component Current/Projected Status
 % of sites cleaned up - High
 % of sites cleaned up - Medium
 % of sites cleaned up - Low
 Number of sites cleaned up - High
 Number of sites cleaned up - Medium
 Number of sites cleaned up - Low

against the DoD Cleanup goals.

ENVIRONMENTAL RESTORATION PROGRAM
FY 2003 PRESIDENT'S BUDGET
FUNDING BY PRIORITIES

Defense-Wide

(\$ in THOUSANDS)

	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY02-FY01</u>	<u>FY03-FY02</u>
	<u>Estimate</u>	<u>Estimate</u>	<u>Estimate</u>	<u>CHANGE</u>	<u>CHANGE</u>
I. INSTALLATION RESTORATION PROGRAM (IRP)					
A. Program Management and Support	3,449	4,550	4,565	1,101	15
B. Hazardous and Petroleum Waste Products				0	0
Priority 1A. High Relative Risk with Agreements	2,090	2,499	3,527	409	1,028
Priority 1B. High Relative Risk without Agreements	0	0	0	0	0
Priority 2A. Medium Relative Risk with Agreements	516	2,149	1,930	1,633	(219)
Priority 2B. Medium Relative Risk without Agreements	0	120	120	120	0
Priority 3A. Low Relative Risk with Agreements	751	993	2,310	242	1,317
Priority 3B. Low Relative Risk without Agreements	2,384	2,421	3,838	37	1,417
Priority 4A. Not Evaluated with Agreements	3,791	1,547	0	(2,244)	(1,547)
Priority 4B. Not Evaluated without Agreements	41	1,635	475	1,594	(1,160)
Remedial Action Operations	5,708	5,165	4,633	(543)	(532)
Long-Term Monitoring	206	859	1,093	653	234
Potentially Responsible Party	1,229	1,391	1,007	162	(384)
CEHNC Obligations	1,200	0	0	(1,200)	0
Subtotal Hazardous and Petroleum Waste Products	17,916	18,779	18,933	863	154
				0	0
Subtotal Installation Restoration Program (A+B)	21,365	23,329	23,498	1,964	169
II. Unexploded Ordnance (UXO Cleanup)					
Priority 1. Imminent Threats to Human Safety	0	0	0	0	0
Priority 2. Possible Threats to Human Safety	0	0	0	0	0
Priority 3. Marginal Threats to Human Safety	0	0	0	0	0
Priority 4. Remote Threats to Human Safety	0	0	0	0	0
Not Evaluated	0	0	0	0	0
Subtotal UXO	0	0	0	0	0
III. BUILDING DEMOLITION/DEBRIS REMOVAL PROGRAM					
A. Imminent Threats to Human Safety, Health, or to the Environment	0	0	0	0	0
B. Other	0	0	0	0	0
Subtotal Building Demolition/Debris Removal	0	0	0	0	0
TOTAL PROGRAM	21,365	23,329	23,498	1,964	169
IV. DOD CLEANUP PERFORMANCE GOALS (METRICS)					
A. Component cleanup Performance Goals by FY					
% of sites cleaned up - High	40.0%	50.0%	60.0%	10.0%	10.0%
% of sites cleaned up - Medium	30.0%	37.0%	44.0%	7.0%	7.0%

% of sites cleaned up - Low	22.0%	28.0%	34.0%	6.0%	6.0%
Number of sites cleaned up - High	20	25	29	5	4
Number of sites cleaned up - Medium	6	7	9	1	2
Number of sites cleaned up - Low	17	21	26	4	5
B. Component Current/Projected Status					
% of sites cleaned up - High	81.6%	89.8%	91.8%	8.2%	2.0%
% of sites cleaned up - Medium	50.0%	60.0%	75.0%	10.0%	15.0%
% of sites cleaned up - Low	40.0%	44.0%	61.3%	4.0%	17.3%
Number of sites cleaned up - High	40	44	45	4	1
Number of sites cleaned up - Medium	10	12	15	2	3
Number of sites cleaned up - Low	30	33	46	3	13

DoD Family Housing Program
A Plan for Eliminating Inadequate Housing by 2007

To improve the quality of housing for military personnel and their families, and jump-start the Administration's housing initiative, the Department's FY 2002 housing budget was increase by \$400 million.

In addition, the Secretary of Defense set a new, more aggressive goal to eliminate the Department's inventory of inadequate housing. The Secretary directed the military departments to eliminate inadequate housing by 2007, three years sooner than the previous goal set in 1996. The Secretary also directed the military departments to increase the use of privatization.

The Department of Defense owns and maintains approximately 275,000 family housing units worldwide, and nearly 60 percent of these units are inadequate and must be renovated or replaced.

The following table shows the total inventory of family housing units by Service as reflected in the military departments' FY 2003 President's budget materials. Inadequate inventory percentages were derived by ODUSD(I&E) from the Services' most recent family housing master plans.

Average Inventory of family housing units

	FY 2001	FY 2002	FY 2003	Percent Inadequate
Army	109,086	101,467	94,931	67.2
Navy	59,809	56,966	52,918	36.1
Marine Corps	23,709	22,776	21,320	68.7
Air Force	104,943	93,659	80,981	57.7
Total Average	297,547	274,868	250,150	57.4

The Army, Navy, and Marine Corps have embraced the 2007 goal and their FY 2003-2007 family housing programs are on track to achieve the accelerated goal. However, the Air Force does not expect to meet the goal until 2010.

The Air Force believes that its FY 2003-2007 family housing funding is insufficient to meet the 2007 goal. However, there are indications that suggest the Air Force could achieve the 2007 goal at the currently funded level.

- Air Force is reducing its inventory (and inadequate units) at a faster rate than any of the Services; over FY 2001-2003, the Air Force inventory decreases by 23 percent, while the Army inventory decreases by 13 percent, the Navy's by 12 percent, and the Marine Corps' by 10 percent.

- The Air Force family housing construction funding for FY 2002-2007 is \$4.2 billion, compared to Army's \$3.0 billion and Navy/Marine Corps' \$2.9 billion.
- Air Force has put in place a privatization "center of excellence" at Brook AFB intended to streamline and speed up the privatization award process.

OMB passback guidance on the FY 2003 President's budget requested that the Air Force formulate a plan to achieve the 2007 goal within the currently funded FY 2003-2007 program, and to submit this plan by June 30, 2002. Consequently, the OMB guidance places the Air Force on a path similar to the other Services on achieving the 2007 goal.

OMB has also directed the Department to establish a metric to monitor and measure the progress on achieving the President's housing initiative as it relates to improving the quality of family housing.

To that end, the following table provides the total number of inadequate housing units the Services should plan to eliminate annually, starting with the current fiscal year.

Inadequate Family Housing Inventory

	Total FY 2002 Inventory	Percent Inadequate	Total Inadequate Units	Annual Target
Army	101,467	67.2	68,186	11,364
Navy	56,966	36.1	20,565	3,428
Marine Corps	22,776	68.7	15,647	3,912*
Air Force	93,659	57.7	54,041	9,007
	274,868	57.4	158,439	27,711

*Marine Corps plans to eliminate its inadequate housing by 2005; therefore, the annual target for Marine Corps is configured to achieve the 2005 objective.

In order to achieve the Secretary's goal to eliminate inadequate housing by 2007, the Services must aggressively pursue privatization, which provides the quickest means and the greatest leverage for the budgeted/programmed housing funds. Moreover, the Services should protect the housing funding stream in the FY 2003 President's budget/FYDP to insure that achievement of the 2007 goal is not jeopardized.

Finally, the OMB has placed a great deal of emphasis on reflecting in the annual budget submissions the results of our efforts to support the President's housing initiative. In this connection, the Department will use the annual targets (metric) shown in the above table to monitor and report on the Services' progress on the 2007 goal.

Accordingly, starting with the FY 2003 President's budget justification materials, the military departments shall include a status report (using narrative, tables, listings, etc.) to show the number of inadequate units each family housing construction (new and improvement) and major O&M project in the FY 2003 request will eliminate. Project

description for each project (DD Form 1391s for construction projects and over-\$35,000/ over-\$20,000 O&M projects) shall show the total number of inadequate housing units at the installation at which the project is proposed and the number of inadequate units to be eliminated by the proposed project. Provide a summary table (separate table for each fiscal year) to show the number of inadequate units on hand at the beginning of the fiscal year, starting with FY 2002, and the number of inadequate units eliminated with the funds requested in the budget and projects added by the Congress. The following format should be used for this table:

Inadequate Family Housing Units Eliminated in FY 200x

	Total Inventory	Total Inadequate
Units at beginning of FY 200x	*	**
FY 200x traditional projects to eliminate inadequate units		
project 1/installation		
project 2/installation		
etc.		
FY 200x privatization projects to eliminate inadequate housing		
project 1/installation		
project 2/installation		
etc.		
Units demolished/otherwise permanently removed from family housing inventory		
project 1/installation		
project 2/installation		
etc.		
Projects added by Congress		
project 1/installation		
project 2/installation		
etc.		
Units at end of FY 200x	*	**

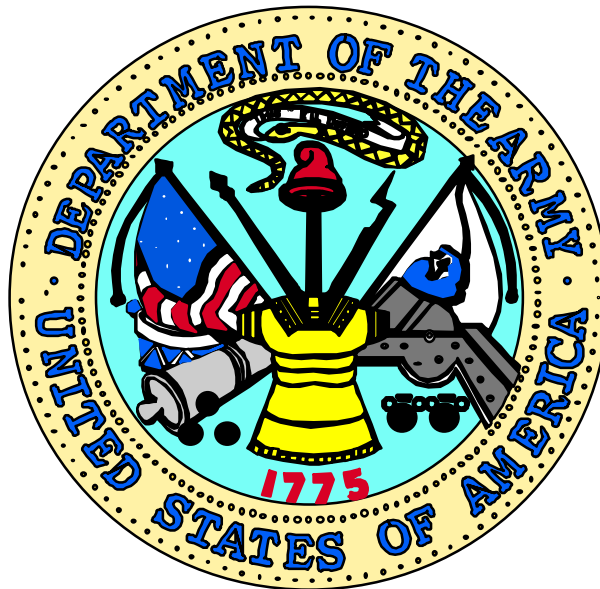
* These figures must cross-reference to the similar figures in Exhibit FH-2 summary tables in the budget justification book.

** The difference between these two figures should be equal to or greater than the Service's annual target reflected in the above table.

DEPARTMENT OF THE ARMY

FISCAL YEAR (FY) 2003 BUDGET ESTIMATE

SUBMITTED TO CONGRESS FEBRUARY 2002



CHEMICAL AGENTS AND MUNITIONS DESTRUCTION, ARMY

ADDENDUM A

CHEMICAL DEMILITARIZATION PROGRAM PERFORMANCE PLANS FOR FY 2003









This addendum to the President's FY 2003 budget request for the Chemical Demilitarization Program shows the detailed schedules that are the basis for the FY 2003 budget request. Also provided are milestones that program managers will use to measure the Program's progress toward completion of its mission objectives during FY 2003.

FY 2003 Major Milestones for the Chemical Stockpile Disposal Project are as follows:

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Johnston Atoll Chemical Agent Disposal System (JACADS): Continue closure activities for the total fiscal year. The FY 2002 Congressional reductions and the agreement between the State of Alabama and the Department of Defense on Chemical Stockpile Emergency Preparedness funding for the Anniston, Alabama community have caused reductions to funding planned for JACADS in FY 2002. The Army is in the process of assessing the impacts of these reductions on FY 2003 milestones. After necessary contract changes have been negotiated, updated milestones will be provided by not later than April 30, 2002.

Tooele Chemical Agent Disposal Facility (TOCDF): Continue agent operations for the total fiscal year with a scheduled agent changeover in the first quarter.

Task Name	Duration	Start	Finish	2003			
				1	2	3	4
Changeover from GB to VX	140 ed	07/29/02	12/16/02				
VX Rockets	123 ed	12/17/02	04/19/03				
VX 155mm Projectile Energetics	129 ed	12/17/02	04/25/03				
VX Ton Containers	175 ed	12/17/02	06/10/03				
Changeover from Rockets to Land Mines	56 ed	04/20/03	06/15/03				
VX Land Mines	160 ed	06/16/03	11/23/03				
Changeover Ton Containers to Spray Tanks	21 ed	06/11/03	07/02/03				
VX Spray Tanks	265 ed	07/03/03	03/24/04				

	<u>1QFY03</u>	<u>2QFY03</u>	<u>3QFY03</u>	<u>4QFY03</u>
Cumulative Tons of Agent Destroyed	61	432	662	926
in FY 2003 (+ or - 10%)				

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Anniston Chemical Agent Disposal Facility (ANCDF): Continue agent operations throughout FY 2003.

Task Name	Start	Finish	2003			
			1	2	3	4
GB Rockets (M55)	07/12/02	10/03/03				

	<u>1QFY03</u>	<u>2QFY03</u>	<u>3QFY03</u>	<u>4QFY03</u>
Cumulative Tons of Agent Destroyed in FY 2003 (+ or - 10%)	47	93	140	187

Umatilla Chemical Agent Disposal Facility (UMCDF): Complete systemization in the fourth quarter of FY 2003 and begin agent operations.

Task Name	Start	Finish	2003			
			1	2	3	4
GB Rockets (M55)	07/04/03	06/09/05				

	<u>1QFY03</u>	<u>2QFY03</u>	<u>3QFY03</u>	<u>4QFY03</u>
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Complete Surrogate Trial Burns for
Liquid Incinerator Number 1 and
Deactivation Furnace

X

Complete Rocket Handling System
Demonstration and Test Report

X

Initiate Pre-Operational Survey to
Verify Readiness to Start Operations

X

Start of Agent Operations

X

Cumulative Tons of Agent Destroyed

0	0	0	24
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in FY 2003 (+ or - 10%)

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Pine Bluff Chemical Agent Disposal Facility (PBCDF): Continue systemization activities for the total fiscal year. The FY 2002 Congressional reductions and the agreement between the State of Alabama and the Department of Defense on Chemical Stockpile Emergency Preparedness funding for the Anniston, Alabama community have caused reductions to funding planned for PBCDF in FY 2002. The Army is in the process of assessing the impacts of these reductions on FY 2003 milestones. After necessary contract changes have been negotiated, updated milestones will be provided by not later than April 30, 2002.

Pueblo Chemical Agent Disposal Facility (PUCDF): Assuming the modified baseline approach is chosen for use at Pueblo, a systems contract will be awarded in the second quarter of FY 2003, and construction activities will start in the fourth quarter. These milestones assume the technology decision and record of decision for Pueblo are completed by the third quarter of FY 2002.

	<u>1QFY03</u>	<u>2QFY03</u>	<u>3QFY03</u>	<u>4QFY03</u>
Award Systems Contract		X		
Start Construction Activities				X

Assuming an Assembled Chemical Weapons Assessment (ACWA) technology is chosen for use at Pueblo, a systems contract will be awarded in the second quarter of FY 2003. This milestone assumes the technology decision and record of decision for Pueblo are completed by the third quarter of FY 2002.

	<u>1QFY03</u>	<u>2QFY03</u>	<u>3QFY03</u>	<u>4QFY03</u>
Award Systems Contract		X		

Blue Grass Chemical Agent Disposal Facility (BGCDF): If the technology decision and record of decision for Blue Grass are completed by the first quarter of FY 2003, a systems contract

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will be awarded in the fourth quarter of FY 2003. (This milestone assumes either the baseline (incineration) approach or ACWA technology is chosen for use at Blue Grass.)

	<u>1QFY03</u>	<u>2QFY03</u>	<u>3QFY03</u>	<u>4QFY03</u>
Technology Decision/Record of Decision	X			

Award Systems Contract			X	
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FY 2003 Major Milestones for the Alternative Technologies and Approaches Project are as follows:

Aberdeen Chemical Agent Disposal Facility (ABCDF): On January 9, 2002, representatives of the U.S. Army announced that they are working with State of Maryland officials and the U.S. Environmental Protection Agency on a plan to accelerate the destruction of the chemical agent stockpile stored at Aberdeen Proving Ground, Maryland. During FY 2003 Aberdeen will complete agent neutralization operations and start ton container (TC) clean out and disposal operations.

ABCDF ACTIVITIES	COMPLETION DATE	1QFY03	2QFY03	3QFY03	4QFY03
Agent Neutralization Cumulative Tons of Agent Destroyed in FY2003 (+ or - 10%)	12/20/2002	1,012	1,012	1,012	1,012
TCC Clean & Disposal Cumulative Number of TCs Cleaned in FY2003 (+ or - 10%)	1/20/2004	0	363	726	1,180

Newport Chemical Agent Disposal Facility (NECDF): Newport will continue construction and equipment installation activities through FY 2003. Systemization planning activities will also continue through FY 2003.

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NECDF Activities	Completion Date	% Complete		1QFY03 CUM	2QFY03 CUM	3QFY03 CUM	4QFY03 CUM
		Start of FY03	End of FY03				
Intrusion Detection System	Aug-03	0%	100%	22%	50%	81%	100%
Process Auxiliary Bldg	Aug-03	40%	100%	69%	94%	99%	100%
Utility Bldg	Dec-02	96%	100%	100%	100%	100%	100%
Personnel Maintenance Bldg	Sep-03	7%	100%	47%	86%	94%	100%
Yard including above ground utilities inside the fence, Warehouse, and Truck Loading Facility	Apr-03	55%	100%	95%	99%	100%	100%
Chem Demil Bldg	Nov-03	61%	98%	74%	84%	91%	98%
Post Treatment Bldg	Jul-05	0%	19%		1%	3%	19%
Filter Farm Bldg	Sep-03	83%	100%	91%	96%	99%	100%
Site Storage Areas: Bulk Chemical Storage, Fuel Oil Storage, fuel/chemical Unloading Area, Solid Waste Storage Bldg	May-05	48%	78%	50%	51%	72%	78%
Systemization Planning	Apr-04	15%	37%	20%	24%	31%	37%

ALL QUARTERLY INCREMENTS ASSUMED AT +/- 10 %

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FY 2003 Major Milestones for the Non-Stockpile Chemical Materiel Project are as follows:

RECOVERED CHEMICAL WARFARE MATERIEL

	<u>Major Milestones</u>	Quarter Milestone Will Be Met
<u>Pine Bluff Non-Stockpile Facility (PBNSF)</u>	Complete 60% Building Design	1QFY03
	Begin Support System Equipment Fabrication	2QFY03
	Record of Decision Received	3QFY03
	Begin Construction Efforts	4QFY03
	<u>Major Milestones</u>	Quarter Milestone Will Be Met
<u>Explosive Destruction System (EDS), Phase 2</u>	Begin Phase 2 Developmental Testing in the United Kingdom	1QFY03
	Complete Phase 2 Baseline Survey	2QFY03
	Begin Phase 2 Agent Testing	3QFY03
	Complete Phase 2 Developmental Testing in the United Kingdom	4QFY03
	<u>Major Milestones</u>	Quarter Milestone Will Be Met
<u>Munition Assessment and Processing System (MAPS)</u>	Award Contract for Documentation Support	1QFY03
	Continue Construction Efforts	2QFY03
	60% of Documentation Complete	3QFY03
	30% of Systemization/Training Complete	4QFY03

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	<u>Major Milestones (See Note)</u>	Quarter Milestone Will Be Met
<u>Pine Bluff Munitions Assessment System (PBMAS)</u>	Begin PBMAS Facility Modifications Start Installation of PBMAS Equipment Complete PBMAS Facility Modifications Commence Pre-Operational Testing	
	<u>Major Milestones</u>	Quarter Milestone Will Be Met
<u>Recovered Chemical Agent Identification Sets Operations</u>	Begin Operator Training Begin Record of Decision Process Begin Operations at Fort Richardson Complete Operations at Fort Richardson	1QFY03 2QFY03 3QFY03 4QFY03

NOTE: The FY 2002 Congressional reductions have necessitated adjustments to funding planned for these activities. The Army is in the process of assessing the impacts of these reductions on FY 2003 milestones. Updated milestones will be provided by not later than 30 April 2002.

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FORMER PRODUCTION FACILITIES

	<u>Major Milestones</u>	Quarter Milestone Will Be Met
<u>Former Production Facilities</u>	Commence Debris Disposal for Step 0, I, II at NECD	1QFY03
	Begin Decontamination and Dismantling of Step III Equipment at NECD	2QFY03
	Demolition of Step 0, I, II Completed (with the exception of the settling basin) at NECD	3QFY03
	Complete Planning Efforts for PBA	
	Integrated Binary Facility Destruction	4QFY03

MISCELLANEOUS CHEMICAL WARFARE MATERIEL

	<u>Major Milestones (See Note)</u>	Quarter Milestone Will Be Met
<u>Empty Ton Containers</u>	Begin Ton Container Decontamination Operations at PBA	
	Complete Decontamination of 10% of the Ton Containers at PBA	
	Complete Decontamination of 20% of the Ton Containers at PBA	
	Award Ton Container Cut and Clean Contract for PBA	

NOTE: The FY 2002 Congressional reductions have necessitated adjustments to funding planned for these activities. The Army is in the process of assessing the impacts of these reductions on FY 2003 milestones. Updated milestones will be provided by not later than 30 April 2002.

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	<u>Major Milestones</u>	Quarter Milestone Will Be Met
<u>Chemical Samples</u>	Begin Permitting Efforts for Chemical Sample Destruction	1QFY03
	Continue Permitting Efforts for Chemical Sample Destruction	2QFY03
	Begin Destruction of Chemical Samples	3QFY03
	Continue Destruction of Chemical Samples	4QFY03

**DRAFT GUIDANCE TO DOD COMPONENTS ON BUDGET AND PERFORMANCE
INTEGRATION – FOR PROGRAM/BUDGET REVIEW**

**SUGGESTED FORMAT FOR PERFORMANCE METRICS CANDIDATES FOR THE
FY 2004 PROGRAM AND BUDGET REVIEW**

DoD Component: _____

Strategic Objective: _____

<u>Performance Measures</u>	<u>FY 2002 Estimate</u>	<u>FY 2003 Estimate</u>	<u>FY 2004 Goal</u>
[Percent of.....]			
<u>Funding Summary</u> (\$ in thousands)			
Program			

Metrics Description: Describe how the individual metrics contribute to the associated performance goal and how the metric is related to program funding level. Also, if possible, relate the metrics to an overall Presidential Management Initiative or one of the Department's strategic goals.

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Excerpts from OMB Guidance on Budget and Performance Integration from OMB

Presidential Management Agenda – Standards for Success: As the Department identifies performance measures, the following OMB Standards for Success should govern each Components selection of performance measures:

- Integrated planning/evaluation and budget staff work with program managers to create an integrated plan/budget and to monitor and evaluate its implementation.
- Streamlined, clear, integrated agency plan/budget sets forth outcome goals, output targets, and resources requested in context of past results.
- Budget accounts, staff, and specifically program/activities are aligned to support achieving program targets.
- Full budgetary cost is charged to mission accounts and activities. Cost of outputs and programs is integrated with performance in budget requests and execution.
- Agency has documented program effectiveness. Analyses show how program outputs and policies affect desired outcomes. Agency systematically applies performance to budget and can demonstrate how program results inform budget decisions.

OMB Circular No. A-11 (Preparing and Submitting Budget Estimates) Instructions: The OMB Circular A-11, Section 220 addresses the Preparation and Submission of Annual Performance Plans. It also is a good source of guidance on the relationship between performance plans and budget submissions that should be helpful to DoD Components as they work to establish meaningful performance metrics. A summary of especially pertinent A-11 excerpts follows:

Excerpts from A-11 Section 220 – Preparation and Submission of Annual Performance Plans

Section 220.8 Relationship with the budget.

Summary of Requirements: Each program activity in an agency's Program and Financing (P&F) Schedules in the Budget Appendix must be covered by a performance goal or indicator in the annual plan. (A performance goal or indicator may cover more than one program activity.)

- The annual performance plan should be directly linked to the agency's budget.
- The performance goals, particularly the performance target levels, are set based on the funding expected to be available to achieve the goals.
- The linkage between the annual performance plan and the budget is based on the program activities in the P&F schedules.

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- In time, the annual performance plan will be integral with the agency's budget request. The annual plan should display the amount of funding being applied to achieve the performance goals and the indicators for that activity.
- Each agency should consult with its OMB representative on the level of detail to be provided.
- A performance goal may be funded from several budget accounts.

Section 220.9 General guidelines on developing performance goals and indicators.

Summary of Requirements: An annual performance plan must include performance goals. Performance goals shall be defined either in an objective and quantifiable manner, or as sufficiently precise descriptive statements that allow an accurate, independent determination to be made of actual performance.

The goals and indicators should:

- Be expressed in an objective and quantifiable manner, unless OMB approves otherwise.
- Inform the President, Congress, and other interested parties of the expected level of achievement for the program or activity.
- Be mainly those used by managers as they direct and oversee how a program is carried out.
- Be centered on a program or activity's core purpose and its key attributes and characteristics.
- Cover the 12-month period of the fiscal year.
- Performance goals usually have a numerical target or other measurable value.
- When defining goals, agencies should anticipate their future ability to measure and report actual performance against them.
- Agencies are encouraged to include measures of customer service and program efficiency.
- Agencies should strive to include goals/indicators for unit costs, even if only approximate costs can be estimated. (As operational cost accounting systems become prevalent, agencies will be expected to include selected unit cost measures.)

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- Agency-wide goals and indicators typically involve the agency workforce or the workplace environment.
- Means-type goals typically cover processes, technologies, or certain types of resources that will be applied to help achieve a program or operational goal. (Policy, programmatic, management, regulatory, or legislative initiatives can be means-type goal -- such as replacement of an agency's major computer systems, and redistribution of agency workload).
- Means goals should be few in number, key to program accomplishment, and not a substitute for goals covering core programs and activities.
- Performance goals for management problems should be included, particularly for mission-critical management problems. Often, these are expressed as milestone events for remedial steps.
- The annual plan should indicate those programs that are being undertaken with other agencies to achieve a common purpose -- crosscutting programs.
- An agency should consider using its congressional justification to provide information on subprograms and activities not included in the annual plan.

Section 220.15 Agency requests for use of alternate form(s) of measurement.

Summary of Requirements: An agency's use of an alternative form of measurement in defining performance goals in the annual plan is subject to OMB approval. The performance goal must be defined in a manner that allows an accurate independent determination to be made of how actual performance compares to the goal as stated.

The alternate form of measurement may be either:

- separate, descriptive statements of a minimally effective program and a successful program, expressed with sufficient precision, and in such terms that would allow for an accurate, independent determination to be made of whether actual performance meets the criteria of the description;
- some other alternative that allows an accurate, independent determination to be made of how actual performance compares to the goal as stated.

Section 232.4 Comparing actual performance to the performance goal target levels.

Summary of Requirement: The annual program performance report states the actual level of performance for every performance goal and compares it to the target performance levels for these goals in the annual performance plan.

DRAFT GUIDANCE TO DOD COMPONENTS ON BUDGET AND PERFORMANCE INTEGRATION – FOR PROGRAM/BUDGET REVIEW

Section 232.6 Providing an explanation for nonachievement of a performance goal.

Summary of Requirement: The annual program performance report must include an explanation for why a performance goal was not met.

- You need not explain why the target level for a performance goal was exceeded. However, you are encouraged to include an explanation in your annual report if the target level was exceeded by a significant extent.
- A specific explanation is required if the nonachievement of the goal is significant and material. Each specific explanation must clearly describe why a performance shortfall occurred and the consequences. The specific explanation should also support actions you are taking to eliminate or reduce future shortfalls for this goal. A specific explanation should not cover more than one unmet goal.

A specific explanation should always be provided if:

- The managers of the program, activity, or Component experiencing a performance shortfall alerts or informs senior agency officials about actual performance levels and the implications of these performance shortfalls on overall program accomplishment;
- The manager took or is taking substantive action to address the shortfall in performance;
- Performance levels for future years are being adjusted downward to reflect actual performance levels;
- Outside parties will likely conclude that the nonachievement was significant and material.

Proposed Department of the Navy Metrics

Issue

Lead Office

Force Management Risks

Recruit Quality	ASN (M&RA)
Retention of Critical Skills	ASN (M&RA)
Manpower costs	ASN (M&RA)
Force Level	CNO, CMC
Strategic Management of Human Capital	ASN (M&RA)

Operational Risks

Presence of forces	CNO, CMC
Readiness indicators	CNO, CMC
Equipment age/cost per operational unit of time	CNO, CMC
Depot maintenance indicators	CNO, CMC
Workplace Safety	ASN (I&E)
Training/Simulator Usage	CNO, CMC

Future Challenges Risks

Transformational capabilities	ASN (RD&A)
Commitment to S&T investment	ASN (RD&A)
Ship Recap Rate	ASN (RD&A)
Aircraft Recap Rate	ASN (RD&A)

Institutional Risks

Financial Operations	ASN (FM&C)
<ul style="list-style-type: none">Funds ManagementQuality of financial informationBudgeting	
Acquisition Process	ASN (RD&A)
<ul style="list-style-type: none">Responsiveness to new technologyContracting Performance	
Infrastructure	ASN (I&E)
<ul style="list-style-type: none">Inadequate housingBachelor Quarters	
Sustainment	CNO, CMC
NMCI	ASN (RD&A)
Competitive Sourcing	ASN (I&E)
E-Business/Government	DONCIO
Environmental Restoration	ASN (I&E)
Energy Conservation	ASN (I&E)

Enclosure (2)